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2013 Lawrence County Trending Project

Activity Summary

General

Lawrence County is made up of 9 townships, including the two largest which are Marion and Shawswick. Like most of the state the residential real estate market slowed in most areas of the county beginning in mid-2007 and continued to slow throughout 2008 and 2009. During 2010 and 2011 price levels were flat and sales volume continued to lag. The number of sales has fallen and the percentage of forced or distressed sales has increased, however there has not been a complete market collapse as evident in other parts of the country. Prior to 2009 most of the growth in the county was seen in the northern part of the county, in Marshall and Perry Townships, where new development has been influenced by the close proximity to Bloomington. During 2009 growth in these two townships slowed and has continued to be slow in 2011 and 2012.

The commercial sector has seen mixed results with some new development on the north side of Bedford near the new Wal-Mart shopping center. This tapered off in 2008 and early 2009. Beyond the north side of Bedford there has been little new commercial activity other than scattered sites in Marion and Marshall Townships along Highway 37. The number of commercial buildings permits fell sharply during both 2008 and 2009, but has since leveled off in 2011 and 2012.

The Industrial sector has been relatively static but has seen some growth. During 2011 and 2012 a new manufacturing facility was added in Mitchell and General Motors Powertrain made a substantial expansion to their Bedford plant. Some smaller shops have also been added during the past few years and some new areas have been purchased for quarry sites. The Ford Visteon Plant shut its doors and laid off its entire workforce following the downturn in the automotive industry. The Visteon plant was sold in 2008 and has now been converted to a multi-tenant shop and warehousing facility. Most of the converted space is leased to contractors that supply products to the Crane Naval Weapons Center.

Commercial

In the cities of Bedford and Mitchell a large enough sample of improved commercial sales has been available to develop trending factors for the 2005 through 2011 projects. In all of the remaining taxing districts the number of improved sales was limited. In those districts a cost index derived from *Marshall and Swift* was loaded into the county's Proval software system and batch recalculations of commercial and industrial properties were carried out, followed by application of updated depreciation. This was done during each assessment year beginning in

2007. Available market data was used to help determine obsolescence depreciation if needed.

In the three years leading up to the reassessment (2007-2009), the county's appraisal vendor carried out field inspections and complete reassessments of over 95% of the improved commercial and industrial property in both Bedford and Mitchell. During this same period about 25% of the improved commercial and industrial parcels outside of Bedford and Mitchell were also inspected in the field and reassessed. During the 2012 reassessment all commercial and industrial parcels were rechecked in the field and re-priced with the new 2012 cost tables.

Residential

All sales disclosures for residential properties are initially verified and validated by the county assessor's office by phone contact with the parties involved in the sale. During the period between 2005 and 2010, those parcels where the sale price and assessed value differed by more than 15% a field inspection was carried out by the county's appraisal vendor. These inspections often result in finding renovated, omitted or removed improvements. Discussions with the owners onsite often yields new information about the financing or family relationships which do not always appear on the disclosures. During the period between 2005 and 2010 approximately 1,000 parcels were field checked to determine reasons for deviations between sale prices and assessed values. During the 2011, 2012 and 2013 trending project all sales, including distressed sales, have been field checked.

Sale prices throughout the county showed modest increases in 2006 and 2007. During 2008 the residential market began to stagnate with the lack of activity continuing into 2009. Changes in the market depended primarily on sale price level. Homes priced at \$150,000 or less continued to sell reasonably well. Much of this activity was related to the 'first-time homebuyers credit'. While market activity of the more modestly priced homes was acceptable, the market for homes over \$150,000 stagnated and dropped. Homes priced in excess of \$200,000 showed drops in sale prices from sales a few years earlier. During 2010 through 2012 sale prices seemed to be relatively flat with very little variation. Typical homes for sale seemed to remain on the market for longer periods than in the past, and sellers often reduced their listing prices two or more times prior to each sale.

The number of foreclosures increased during the 2008 and 2009 trending project and jumped again during the 2010 trending project. During the 2011, 2012 and 2013 projects the number of distressed sales seemed to level off, but still remained high. The resulting number of distressed sales has created additional work during the verification process. The number of contract sales has jumped as buyers are less likely to find conventional financing.

Income Producing Properties

Lawrence County has a relatively large number of multi-family housing apartments. Most of the multi-family developments are either low-income or elderly housing. These apartments include type 515 rural housing and section 42 tax credit apartments. The county has obtained

income and expense data from the majority of those properties. Almost all of the multi-family apartments were appealed during the 2002 reassessment and/or following the 2006 through the 2011 trending projects. Several of these complexes were again appealed following the 2012 reassessment. The process of comparing the capitalized net income to the assessed valuations has been an ongoing activity since the 2002 reval. The county has also gathered rental data from a significant number of residential rentals to develop GRM's and compared the GRM derived values against the current assessed values. The county has also obtained gross rent multipliers from area appraisers that is used in valuing rental property in the county.

Other Data Sources

The county has very actively utilized any data that can be obtained from MLS data. The data is primarily on-line listing fact sheets as comparison of value and also to obtain construction data on both residential and commercial property. Between 2006 and 2012 several hundred parcels were adjusted as a result of information gathered from MLS data. The county uses this data in an ongoing basis and the data is not limited just to trending.

As part of the ongoing assessment support process the county also has a tax attorney on retainer. The county utilizes her services on various appeals each year, for questions relating to exemptions, and interpretation of Indiana Code and directives. She has also coordinated appraisers and expert witnesses for tax appeal hearings.

The Bloomington appraisal firm that has assisted the county with commercial land valuations has also assisted the county with a variety of other projects during the past few years including the appraisal of multiple apartment complexes throughout the county and a review of capitalized income and expense data. The same firm is also assisting the County with a review of rental data on Bedford's shopping center. The county also retains the services of an Evansville appraisal group with assistance on larger industrial facilities.

Neighborhood Revisions

During the 2008 trending project an extensive review of neighborhoods was conducted. As part of that review various subdivisions within the Bedford City limits were removed from one neighborhood and placed in more appropriate surrounding neighborhoods. While the placement of these subdivisions in their respective neighborhoods seemed appropriate during the 2002 revaluation, sales over subsequent years indicated they should be moved to neighborhoods with different multipliers to bring their assessed values more in line with the market.

Between 2008 and 2012, twenty-five (25) small neighborhoods were made inactive and the parcels within those neighborhoods added to adjacent areas with very similar attributes. While these neighborhoods were combined because of "overstratification" a few additional neighborhoods were created to address the problem of having commercial and industrial parcels

included in the same neighborhood as residential and ag parcels.

During the 2013 trending process the county combined the following neighborhoods into a larger homogenous neighborhood: Shawswick 9803, 9805, 9807 and 9808 were all added into neighborhood 9806 to create a comprehensive neighborhood of newer subdivisions within the township.

Time Trending of Sales Outside the 2010-2012 Sales Period

Due to the limited number of commercial and industrial sales the number of available sales from early 2011 was not sufficient to produce an adequate sample pool of sales. The sale range was expanded to include sales as early as 2008 for commercial vacant, 2008 for industrial properties, and 2009 for commercial improved sales. A time adjustment with a nominal annual rate of 1% was applied to 2008 sales. This was done to reflect the trends shown in the market. There was no measurable change since 2008 so no time adjustment was made for 2009 or newer sales. In the past, there was a measurable difference in price changes between raw land and improved sales. Due to the lack of demand for land for new construction, that gap has narrowed and raw land sales have been adjusted using the same methodology.

In lieu of using a traditional index such as the CPI, the adjustment factors were based upon a variety of methods including opinions of local appraisers and realtors; review of parcels with multiple sales in the past five years; and a review of sales data from prior trending projects. Index factors such as building materials cost have tended to increase significantly while sale prices have remained flat.

Grouping of Sales Files

Due to the limited number of commercial and industrial sales within the county, all commercial and industrial sales have been combined by category into spreadsheets that cover sales from all townships.

For the residential improved category, sales from Bono, Guthrie and Pleasant Run Townships have been combined into one grouping. These townships constitute the eastern third of the county and are very similar in their rolling, heavily wooded topography. Sales from Indian Creek and Spice Valley have also been combined in a second grouping. These 2 townships make up the southwest quarter of the county.

Due to the substantial number of changes that have been made to parcels following the reassessment, sales of residential vacant and improved parcels from January 1, 2011 through March 1, 2013 were used in the study. The expanded sales period should give a better overall look at sales during a time with multiple parcels being changed through appeals, corrections and cleanup, and with the application of new cost and depreciation tables for 2013.

For the residential vacant category, Marion and Shawswick townships were left as individual

townships for analysis, while sales of residential vacant parcels from all the remaining townships were grouped into one study group.

Review of Specific Home Types

During the annual trending and reassessment projects, two types of homes have been identified as showing more deviation from sale prices than other types of dwellings – manufactured homes and log homes. Manufactured homes have varied more in price than other home categories and a very larger number of parcels containing sectional/ double-wide homes have been foreclosed or have sold through distressed sales. Due to this somewhat volatile sales pattern, the assessments on all manufactured homes are being looked at closely.

The assessments on traditional log homes tended to be too low relative to the market. Most log homes have shown a discounted assessed value relative to market sale prices. During trending and the reassessment process all log-type dwellings were looked at closely and to date, the grades have been raised roughly 5 to 10% to bring the assessments more in line with the market.

Reassessment Activity

The 2012 Reassessment was a complete, ‘traditional’, reassessment involving on-site inspections of all parcels and verification of measurements on the vast majority of improvements.